NON-RESIDENTS AND INVESTMENT INCOME

This Help Sheet explains how income from UK savings and investments (such as interest from banks or building societies, unit trusts, National Savings, or dividends from UK companies) is taxable if you are not resident in the UK.

It includes a Working Sheet, which you only need to use if you decide to calculate your tax.

HOW IS INVESTMENT INCOME CHARGED TO TAX?

With the exception of income from property in the UK and investment income connected to a trade in the UK through a branch or agency, the tax charge for non-residents on investment income arising in the UK is restricted to the amount of tax, if any, deducted at source.

GETTING ADVICE

This Help Sheet explains the restriction, but it is only an introduction. If you are in any doubt about whether the restriction applies or how it operates, ask your Inland Revenue office or tax adviser.

The Centre for Non-Residents will also be pleased to help at the address shown below:

Centre for Non-Residents
Residence Advice and Liabilities (Unit 373)
St John's House
Merton Road
Bootle
Merseyside
L69 9BB Telephone: 0151 472 6196.

HOW DOES THE RESTRICTION WORK?

If you are not resident in the UK, the tax you pay on all your income cannot be more than:

- the amount of tax that would be chargeable on income, other than the 'excluded income' shown below, but before the deduction of any personal allowances due

plus

- the amount of tax deducted at source from the 'excluded income'.

'Excluded income' includes:

- interest from banks and building societies
- dividends from UK companies
- income from unit trusts
- income from National Savings
- profits from public revenue dividends
- profits or gains from transactions in deposits
- certain social security benefits, such as National Insurance retirement pensions or widows pensions
- taxable income from purchased life annuities **except** annuities under personal pension schemes, retirement annuity contracts or trust schemes.

Note 1: 'Excluded income' does not include a share of partnership investment income. If you had such income in the year 2000-2001 you should not use this Help Sheet. You should enter in the 'Additional information' box, box 23.6 on your Return the following words; 'I have been unable to complete the Tax Calculation fully because I had a share in partnership investment income and the self calculation sheet on IR300 does not provide for this. The Revenue will need to complete the calculation for me.'

CALCULATING YOUR TAX

If you want the Inland Revenue to calculate your tax for you, you can ignore the rest of this Help Sheet.

If you have decided to calculate your tax yourself ask the Orderline for the Comprehensive Tax Calculation Guide. You will have to compare the amount of tax that would otherwise be due with the amount due as shown by this Help Sheet, but see Note 1 above if you had a share in partnership investment income.

This is to make sure that you do not pay too much tax. In some circumstances, you will be better off paying tax as if you were resident in the UK.

Use the Working Sheet on page 3 to make the comparison. There are instructions on how to fill it in, and an example on pages 4 to 9.

Working out the limit of your liability

First, fill in the Working Sheet in your Comprehensive Tax Calculation Guide up to and including box c7.52.

Then, work out the limit of your liability by filling in the Working Sheet on page 3 of this Help Sheet, following the instructions on page 2.

FILLING IN THE WORKING SHEET

boxes 1 and 2 Enter the details of the 'excluded income', showing the totals of the gross income (box 1), tax deducted at source, tax credits or notional income tax (box 2).

box 3 Enter your total gross income for the year *minus* deductions. This is the figure in box c1.46 *minus* the total of boxes c2.6, c2.9, c2.13 + c2.14, c2.16, c2.17 + c2.18 in your Working Sheet in the Comprehensive Tax Calculation Guide.

box 4 Deduct the figure in box 1 from the figure in box 3.

boxes 5 to 12 Your non-excluded income is taxed at 10% on the first £1,520. The next £26,880 is taxed at 22%. Any income over £28,400 is taxed at 40%.

box 13 Enter the total tax due at the above rates in box 13.

boxes 14 to 16 Employee contributions to personal pension plans and Gift Aid are normally paid net of tax at the basic rate. Further relief is due if you are liable to higher rate tax. Enter in box 14 box c4.7 minus £26,880.

boxes 17 to 20 Some allowances and reliefs are given to you by taking them off the tax you have to pay:

- Venture Capital Trust and Enterprise Investment Scheme relief. Enter in box 17 the relief from box c7.4.
- maintenance or alimony paid. Enter in box 18 the figure from box 15.3 on your Tax Return.

Multiply the figure in box 18 by 10% and enter the result in box 19.

box 20 Enter in box 20 the figure of notional tax paid from boxes c7.14 + c7.15.

box 21 Enter the amount of tax credit relief due from box c7.16, if any.

box 22 Add together the figures in boxes 16, 17, 19, 20 and 21 and enter the result in box 22.

box 24 Add the figure in box 2 to box 23.

boxes 25 and 26 Box 26 ensures there is sufficient tax to 'cover' any Gift Aid payments

boxes 27 and 28 Box 28 brings in the tax credits attached to any dividend income.

box 29 The maximum amount of Income Tax due from you is the total of the amount due after allowances and reliefs (except for personal allowances) and the amount of tax, if any, deducted at source.

Deduct any amount in box 28 from the figure in box 26; the result is the maximum amount of Income Tax due. Enter this figure in box 29. (But if box 27 is greater than box 26 enter zero in box 29.)

Filling in the rest of the Working Sheet in your Comprehensive Tax Calculation Guide

Follow the instructions in your Tax Calculation Guide for completing the rest of the Working Sheet. Compare the figure in box 29 of this Working Sheet with the figure in box c7.52 then enter the smaller figure in box c7.54.

These notes are for guidance only, and reflect the position at the time of writing. They do not affect any rights of appeal.

Maximum Income Tax Working Sheet *See instructions, and example on pages 4 to 9*

Excluded income	Gross income	Tax deducted
	£	£
	£	£

1 total column above £

2 total column above £

Total gross income *minus* deductions for the year (box c1.46 *minus* boxes c2.6 + c2.9 + c2.13 + c2.14 + c2.16 + c2.17 + c2.18)

3 £

Total gross income after excluded income

4 box 3 *minus* box 1 £

5 Lower of box 4 or £1,520 £

6 box 5 x 10% £

If the figure in box 4 is £1,520 or less, copy the figure in box 6 to box 13. **Do not** fill in boxes 7 to 12.

7 box 4 *minus* £1,520 £

8 lower of box 7 or £26,880 £

9 box 8 x 22% £

10 boxes 6 + 9 £

If the figure in box 4 is less than £28,401 **do not** fill in box 11 and enter a zero in box 12.

11 box 7 *minus* £26,880 £

12 box 11 x 40% £

13 boxes 10 + 12 £

Total tax due

Allowances and reliefs

- Personal Pensions and Gift Aid — **14** box c4.7 *minus* £26,880 £ — **15** lower of boxes 11 and 14 £ — **16** box 15 x 18% £
- Venture Capital Trust and Enterprise Investment Scheme relief — **17** from box c7.4 £
- Maintenance and alimony paid — **18** box 15.3 £ — **19** box 18 x 10% £
- Notional tax — **20** from boxes c7.14 + c7.15 £
- Tax credit relief — **21** from box c7.16 £

22 boxes 16+17+19+20+21 £

(If figure in box 22 is greater than box 13, enter zero '0' in box 23)

23 box 13 *minus* box 22 £

24 boxes 2 + 23 £

Tax due on Gift Aid — **25** box c7.25 £ — **26** higher of boxes 24 and 25 £

Non-payable tax credits on dividends — **27** box 7.30 + 10.17 + 10.20 £ — **28** box 27 x 10% £

Maximum amount of Income Tax due *(If box 28 is greater than box 26, enter zero '0' in box 29)*

- Compare the figure in box 29 with the figure in box c7.52 then enter the smaller figure in box c7.54

29 box 26 *minus* box 28 £

Example

John is a non-resident with total income for the year of £50,000 of which £30,000 is 'excluded income' being bank interest (£5,000) and UK company dividends (£22,500 and non-payable tax credits of £2,500). The remaining income which is **not** 'excluded' is UK rents of £20,000.

He is entitled to personal allowances as a Commonwealth citizen. He does not claim any deductions from income.

Having chosen to calculate his tax, he works through the Working Sheet in the Comprehensive Tax Calculation Guide, which shows Income Tax due after allowances and reliefs of £8,124; then he fills in the Working Sheet on page 3 of this Help Sheet. This shows that the maximum charge to Income Tax is £4,217.

This smaller figure is entered in box c7.63 in the Working Sheet in the Comprehensive Tax Calculation Guide. Finish the Working Sheet in the Comprehensive Tax Calculation Guide to work out the overall reduced tax liability.

Maximum Income Tax Working Sheet ***See instructions, and example on pages 4 to 9***

Excluded income	Gross income	Tax deducted
Bank interest	£ 5,000	£ Nil
UK company dividends	£ 25,000	£ 2,500

	1 total column above £ 30,000	2 total column above £ 2,500
Total gross income *minus* deductions for the year (box c1.46 *minus* boxes c2.6 + c2.9 + c2.13 + c2.14 + c2.16 + c2.17 + c2.18)	3 £ 50,000	
Total gross income after excluded income	4 box 3 *minus* box 1 £ 20,000	5 Lower of box 4 or £1,520 £ 1,520
		6 box 5 x 10% £ 152

If the figure in box 4 is £1,520 or less, copy the figure in box 6 to box 13. **Do not** fill in boxes 7 to 12.

7 box 4 *minus* £1,520 £ 18,480	8 lower of box 7 or £26,880 £ 18,480	9 box 8 x 22% £ 4,065
		10 boxes 6 + 9 £ 4,217

If the figure in box 4 is less than £28,401 **do not** fill in box 11 and enter a zero in box 12.

	11 box 7 *minus* £26,880 £	12 box 11 x 40% £ 0
Total tax due		13 boxes 10 + 12 £ 4,217

Allowances and reliefs

• Personal Pensions and Gift Aid	14 box c4.7 *minus* £26,880 £	15 lower of boxes 11 and 14 £	16 box 15 x 18% £
• Venture Capital Trust and Enterprise Investment Scheme relief			17 from box c7.4 £
• Maintenance and alimony paid	18 box 15.3 £		19 box 18 x 10% £
• Notional tax			20 from boxes c7.14 + c7.15 £
• Tax credit relief			21 from box c7.16 £
		(If figure in box 22 is greater than box 13, enter zero '0' in box 23)	22 boxes 16+17+19+20+21 £
			23 box 13 *minus* box 22 £ 4,217
			24 boxes 2 + 23 £ 6,717
Tax due on Gift Aid		25 box c7.25 £	26 higher of boxes 24 and 25 £ 6,717
Non-payable tax credits on dividends		27 box 7.30 + 10.17 + 10.20 £ 25,000	28 box 27 x 10% £ 2,500

Maximum amount of Income Tax due *(If box 28 is greater than box 26, enter zero '0' in box 29)*

• Compare the figure in box 29 with the figure in box c7.52 then enter the smaller figure in box c7.54	29 box 26 *minus* box 28 £ 4,217

Part of pages 4 and 5 of the Comprehensive Tax Calculation Guide

Other income £ *to box c1.39*

=

	total column above c1.40	total column above c1.41	total column above c1.42	total column above c1.43	total column above c1.44	total column above c1.45	total of c1.40 to c1.45 c1.46
Total income	£ 20,000	£ 0	£ 5,000	£ 25,000	£ 0	£ 0	£ 50,000
	copy to box c3.1	*copy to box c3.2*	*copy to box c3.3*	*copy to box c3.4*	*copy to box c3.5*	*copy to box c3.6*	*copy to box c3.7*

Part of pages 8 and 9 of the Comprehensive Tax Calculation Guide

from c1.40 **c3.1** £ 20,000

from c1.41 **c3.2** £ 0

from c1.42 **c3.3** £ 5,000

from c1.43 **c3.4** £ 25,000

from c1.46 **c3.7** £ 50,000

Starting rate band — **c3.8** £ 1,520

c3.1 *minus* **c3.8** **c3.9** £ 18,480

c3.8 *minus* **c3.1** **c3.10** £ 0

Total deductions and allowances — from c2.24 **c3.11** £ 4,385

c3.11 *minus* **c3.9** **c3.12** £ 0

c3.9 *minus* **c3.11** **c3.13** £ 14,095

c3.2 *minus* **c3.12** **c3.14** £ 0 *copy to box c4.34*

c3.12 *minus* **c3.2** **c3.15** £ 0

c3.8 + **c3.13** **c3.16** £ 15,615

c3.10 + **c3.15** **c3.17** £ 0

c3.16 *minus* **c3.17** **c3.18** £ 15,615 *copy to box c4.8*

c3.1 + **c3.2** **c3.19** £ 20,000

c3.11 *minus* **c3.19** **c3.20** £ 0

c3.3 *minus* **c3.20** **c3.21** £ 5,000 *copy to box c4.18*

c3.20 *minus* **c3.3** **c3.22** £ 0

c3.4 *minus* **c3.22** **c3.23** £ 25,000 *copy to box c4.26*

CALCULATION HELP

Box c3.28 should equal c3.18 + c3.14 + c3.21 + c3.23 + c3.25 + c3.27

c3.7 *minus* **c3.11** **c3.28**

Total taxable income £ 45,615

continued over

Part of page 10 of the Comprehensive Tax Calculation Guide

CALCULATION HELP

If any box on this page is a minus amount, substitute zero, '0'.

Basic rate band — c4.1 £ 26,880

Corresponding deficiency relief — from box 12.9 c4.2 £

Employee pension payments and FSAVCs — box 14.15 + box 14.17 c4.3 £

Gift Aid including charitable deeds of covenant (see 'calculation help' on page 11) — from box 15.6 c4.4 £ — c4.4 x 100 divided by 78 c4.5 £

Starting rate band — c4.6 £ 1,520

Extended basic rate band — total of column above c4.7 £ 26,880

Allocate non-savings income to tax bands

from c3.18 c4.8 £ 15,615

from c3.25 c4.9 £ 0

c4.8 + c4.9 c4.10 £ 15,615

c4.6 *minus* c4.11 c4.16 £ 0

c4.7 *minus* c4.13 c4.17 £ 12,785

Allocate savings (except dividends) to tax bands

from c3.21 c4.18 £ 5,000

c4.16 *minus* c4.19 c4.24 £ 0

c4.17 *minus* c4.21 c4.25 £ 7,785

Allocate dividends to tax bands

from c3.23 c4.26 £ 25,000

c4.24 *minus* c4.27 c4.32 £ 0

c4.25 *minus* c4.29 c4.33 £ 0

Allocate lump sum payments and gains on life policies with no tax treated as paid to tax bands

from c3.14 c4.34 £ 0

c4.32 *minus* c4.35 c4.40 £ 0

c4.33 *minus* c4.37 c4.41 £ 0

Allocate gains on life policies with tax treated as paid to tax bands

from c3.27 c4.42 £ 0

Part of page 11 of the Comprehensive Tax Calculation Guide

CALCULATION HELP

These two pages first of all work out the amount of basic rate band you're entitled to (boxes c4.1 to c4.7), then allocate the different kinds of income you sorted out in Stage 1 to the tax bands. **If any box on these pages is a minus amount, substitute zero, '0'.**

Work '**down and along**' from left to right for each kind of income. But if you have an entry in box c4.15 you can copy any entry in box c4.18 **straight into** c4.23, c4.26 into c4.31, c4.34 into c4.39 and c4.42 into c4.47. This is because you are liable to higher rate, or upper dividend rate, on **all** your taxable savings, dividends, lump sums and gains on life policies.

box c4.4 Payments under Gift Aid are treated as having been made after the deduction of Income Tax at the basic rate (22%). If you are liable to tax at the higher rate you are entitled to further tax relief for any Gift Aid payments. The relief is given by increasing the amount of basic rate band by the amount of your Gift Aid payments **plus** the basic rate tax treated as deducted. To arrive at that increased amount you have to 'gross up' your Gift Aid payments (from box 15.6 on page 5 of your Return) by multiplying box 15.6 by 100 and dividing by 78. For example, if your Gift Aid payments were £125 the figure to enter in box c4.4 is £161, that is £125 x 100 divided by 78.

lower of c4.10 and c4.6	c4.10 *minus* c4.11	lower of c4.12 and c4.7	c4.11 + c4.13	c4.10 *minus* c4.14
c4.11	c4.12	c4.13	c4.14	c4.15
£ 1,520	£ 14,095	£ 14,095	£ 15,615	£ 0

lower of c4.16 and c4.18	c4.18 *minus* c4.19	lower of c4.17 and c4.20	c4.19 + c4.21	c4.18 *minus* c4.22
c4.19	c4.20	c4.21	c4.22	c4.23
£ 0	£ 5,000	£ 5,000	£ 5,000	£ 0

lower of c4.24 and c4.26	c4.26 *minus* c4.27	lower of c4.25 and c4.28	c4.27 + c4.29	c4.26 *minus* c4.30
c4.27	c4.28	c4.29	c4.30	c4.31
£ 0	£ 25,000	£ 7,785	£ 7,785	£ 17,215

lower of c4.32 and c4.34	c4.34 *minus* c4.35	lower of c4.33 and c4.36	c4.35 + c4.37	c4.34 *minus* c4.38
c4.35	c4.36	c4.37	c4.38	c4.39
£ 0	£ 0	£ 0	£ 0	£ 0

lower of c4.40 and c4.42	c4.42 *minus* c4.43	lower of c4.41 and c4.44	c4.43 + c4.45	c4.42 *minus* c4.46
c4.43	c4.44	c4.45	c4.46	c4.47
£ 0	£ 0	£ 0	£ 0	£ 0

CTCG PAGE 11

Part of page 12 of the Comprehensive Tax Calculation Guide

■ Non-savings income, lump sum payments and gains on life policies

	c4.11 + c4.35 **c5.1**	c5.1 x 10% **c5.2**
at starting rate (10%)	£ 1,520	£ 152
	c4.13 + c4.37 + c4.46 **c5.3**	C5.3 x 22% **c5.4**
at basic rate (22%)	£ 14,095	£ 3,100
	c4.15 + c4.39 + c4.47 **c5.5**	c5.5 x 40% **c5.6**
at higher rate (40%)	£ 0	£

■ Savings income

	from c4.19 **c5.7**	c5.7 x 10% **c5.8**
at starting rate (10%)	£ 0	£ 0
	from c4.21 **c5.9**	c5.9 x 20% **c5.10**
at lower savings rate (20%)	£ 5,000	£ 1,000
	from c4.23 **c5.11**	c5.11 x 40% **c5.12**
at higher savings rate (40%)	£ 0	£ 0

■ Dividends, etc.

	from c4.30 **c5.13**	c5.13 x 10% **c5.14**
at lower dividend rate (10%)	£ 7,785	£ 778
	from c4.31 **c5.15**	c5.15 x 32.5% **c5.16**
at upper dividend rate (32.5%)	£ 17,215	£ 5,594
		total of column above **c5.17**
Income Tax due		£ 10,624

copy to box c7.1

CTCG PAGE 12

The following extracts are from pages 14, 16 and 17 of the Comprehensive Tax Calculation Guide

STAGE 7: TAX ADJUSTMENTS AND FURTHER ALLOWANCES - GETTING TO YOUR TAX BILL

CALCULATION HELP

If any box on this page is a minus amount, substitute zero, '0'.

Income Tax due — from c5.17 **c7.1** £ 10,264

from c15.19 **c7.48** £

lower of c7.47 and c7.48 **c7.49** £

c7.46 + c7.49 **c7.50** £ 25,000

c7.50 x 10% **c7.51** £ 2,500

c7.28 *minus* c7.51 **c7.52** £ ~~8,126~~ 4,217

Income Tax due after taking off tax credits

CTCG PAGE 16

If the figure in box 29 in the working sheet of this Help Sheet is less than the figure in box c7.52, do not use the figure in box c7.52, but replace the figure in box c7.52 with the figure in box 29 of the Working Sheet carrying it forward to box c7.54. Continue as instructed to box c7.63.

Capital Gains Tax — from c7.24 **c7.62** £

Total tax, Class 4 NIC and Student Loan repayment due

c7.61 + c7.62 **c7.63** £ 4,217

copy to box 18.3 on your Return

CALCULATION HELP

This box can be a minus amount.

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